



NOTICE TO STATE WATER PROJECT CONTRACTORS

NUMBER: 99-03

DATE: MAR 04 1999

SUBJECT: Criteria for Bulletin 132-99

FROM:

James M. Henry
Director, Department of Water Resources

Attached for your information are copies of "Criteria for Bulletin 132-99 Project Operation Studies" and "Interest and Escalation Rates for Preparing Bulletin 132-99."

These criteria are being used by the Department of Water Resources to prepare information for Bulletin 132-99, "Management of the California State Water Project" and to determine Water Contractors' Statements of Charges for the year 2000.

If you have any questions, please contact Donald Long, Chief of DWR's State Water Project Analysis Office, at (916) 653-4313 or Dave Knock, Chief of the Financial Analysis Section, at (916) 653-1894.

Attachment

**CRITERIA FOR BULLETIN 132-99
PROJECT OPERATIONS STUDIES**

1. **Water Deliveries.** Water demands for the water operation studies will be based on the short-range, five-year (1999-2003) requests submitted by the contractors in October 1998, and the long-range (2004-2035) requests submitted by the water contractors in October 1997.
2. **Water Supply.** The water and power studies will reflect compliance with 1995 modification of SWRCB Decision 1485 (June 8, 1995, order 95-6), long-term NMFS Winter Run Biological Opinion as amended on May 17, 1995, and the long-term USFWS Delta Smelt Biological Opinion dated March 6, 1995. The water supply assumed for water and power operation studies will be as follows:
 - (a) **1999**—The initial operations study for 1999 will assume hydrology sufficient to deliver 3.41 MAF (includes -0.13 MAF of "sellers water" to be stored in San Luis Reservoir and made available for later delivery to buyers and provides for 0.23 MAF of 1999-2000 extended carryover water). Projections of power generation at Oroville will be based on the Oroville Reservoir inflow from the same hydrology. For generation at Pine Flat Reservoir, lower quartile inflow will be assumed. The 1999 water deliveries and water and power operations studies will be reviewed and finalized in March 1999 when the water supply forecast based on March 1, 1999 snow surveys becomes available.
 - (b) **2000**—State Water Project operations projected for 2000 are the basis for the 2000 Statements of Charges. The study will assume hydrology sufficient to deliver 3.60 MAF (contractor's projected entitlement requests). Lower quartile inflow will be assumed for Pine Flat generating facilities.
 - (c) **2001**—The 2001 studies will assume hydrology sufficient to deliver 3.60 MAF (contractor's projected entitlement requests). Lower quartile inflow will be assumed for Pine Flat generating facilities.
 - (d) **2002**—Assume hydrology sufficient to deliver contractor's projected entitlement requests of 3.37 MAF.
 - (e) **2003**—Assume hydrology sufficient to deliver contractor's projected entitlement requests of 3.53 MAF.
 - (f) **2004**—and thereafter—Assume hydrology sufficient to deliver contractor's projected entitlement requests of 3.68 MAF.

3. **Future Project Facilities.** The schedule for initial operation of future project facilities to be used when preparing information for Bulletin 132-99 is shown in the table on page 4. Future facilities include Phase I of the proposed East Branch Extension to the San Geronio Pass Water Agency service area.

4. **Water Supply Augmentation.**

- (a) **Delta Pumps.** The four new units became operational in early 1992. The total capacity of the Banks Pumping Plant increased from 6,400 cubic feet per second to 10,300 cfs; however, actual daily pumping volumes will be limited to the requirements specified in the U.S. Army Corps of Engineers permit (Public Notice 5820A, amended October 1981).
- (b) **Interim South Delta Facilities.** This program is one of several Delta programs to address corrective action for the Delta. Projected costs of the preferred alternative for the Interim South Delta Program will be included in the 2000 Delta Water Rate. Facilities included in this program are:
- Construction of four control structures. Three barriers are proposed in south Delta channels to provide for control of water levels and circulation in the south Delta. The fourth barrier will provide protection for salmon migrating along the San Joaquin River.
 - Construction of a new intake structure on the northeast corner of the existing Clifton Court Forebay, and some selected channel dredging in a reach of Old River extending from north of the additional intake to Woodward Canal.
 - Under the Interim South Delta Program, the Department of Water Resources will acquire a U.S. Army Corps of Engineers permit under Section 10 of the Rivers and Harbors Act to enable increased pumping at the Banks Delta Pumping Plant up to the full 10,300 cfs capacity. The additional capacity will increase SWP delivery capability and operation flexibility by enabling increased pumping at times when impacts to fish are less.
- (c) **Interim North Delta Facilities.** The Interim North Delta Facilities will not be assumed operational in the near future and are unscheduled at this time. The long-term CALFED Bay-Delta resolution process is expected to include a review of all options for fixing the Delta. In the meantime, the Department is suspending independent planning for Interim North Delta Facilities, which included channel dredging, levee improvements,

testing of fish protective measures, wildlife and fisheries habitat enhancement, and enlargement of the Delta Cross Channel.

- (d) Ground Water Programs. On August 9, 1996, ownership of the Kern Fan Element Property and the La Hacienda Facilities was transferred to the Kern County Water Agency and Dudley Ridge Water District through the Kern Water Bank Authority as part of the Monterey Amendment. Fifty percent of any project water remaining in storage from the Berrenda Mesa Demonstration Program and the La Hacienda Water Purchase Program was also transferred to KWBA. The SWP retains the right to recover 15,073 acre-feet under the recovery agreement with KCWA.
- (e) Other Project Yield. For purposes of preparing water and power studies for future years, it will be assumed that the Project will deliver full entitlement requests. Additional water supply needed to meet future delivery of requested entitlement water will be assumed to be available from development of unspecified future conservation facilities.

5. Power Operations. Annual energy prices in the western states' power markets have historically been highest during the on-peak hours and summer months. This pattern is currently anticipated to continue into the deregulated energy market. The aqueduct operation will be optimized to reduce power costs by minimizing on-peak and summer pumping within the constraints of operating criteria.

For Bulletin 132-99, forecasted SWP power operations through the study period will be based on existing power sources. Additional capacity and energy resources needed to meet power requirements will be from unspecified purchases.

In 1999 and after, projected energy deficits will be met with spot market energy purchases. The price for spot market energy for the next three years is projected to be between 21 and 30 mills per kilowatt-hour. By March 1999, the Department will conduct an energy study that will forecast annual on-peak and off-peak mill rates for 1999 and after. The mill rate forecasts will be used to determine power cost or revenue projections for energy purchased or sold on the open market.

FUTURE PROJECT FACILITIES	Dates for Initial Operation	
	Bulletin 132-98	Bulletin 132-99
CALIFORNIA AQUEDUCT		
San Luis Canal Enlargement (approx. 1,000 cfs)	Not Scheduled	Not Scheduled
EAST BRANCH		
East Branch Enlargement - Stage 2		
Pearblossm Pumping Plant		
Units 10 & 11 (375 cfs)	Not Scheduled *	Not Scheduled *
Alamo Powerplant - Unit 2 (1,506 cfs)	Not Scheduled *	Not Scheduled *
East Branch Extension - Phase I	December 1999	March 2001
WEST BRANCH		
West Branch Enlargement		
Peace Valley Pipeline - second barrel	Not Scheduled	Not Scheduled
Warne Powerplant - additional units	Not Scheduled	Not Scheduled
Gorman Creek Bypass Channel Restoration	November 1998	December 1998
Gorman Creek Channel Modification	October 1998	October 2000
DELTA FACILITIES	Not Scheduled	Not Scheduled
Interim North Delta Facilities		
Interim South Delta Facilities		
Permanent Control Structures	June 2005	June 2005
Additional Intake - Clifton Court Forebay	June 2002	June 2002
OTHER		
Los Banos Grandes Facilities	Not Scheduled	Not Scheduled
Relocation of Project Operations Control Center	Not Scheduled	Not Scheduled
Corporate Yard	Not Scheduled	Not Scheduled

* Final units assumed to be available for water and power operation studies to transport project water as needed to meet water delivery requests. Capital costs and minimum OMP&R costs of final units will not be included in Bulletin 132-99 because of uncertainty of scheduling.

TABLE 1
INTEREST RATES TO BE USED IN PREPARING DATA AND
INFORMATION FOR BULLETIN 132-99
WATER CONTRACTORS' STATEMENTS OF CHARGES FOR 2000, AND
DEPARTMENT FINANCIAL ANALYSIS STUDIES

<u>Item</u>	<u>Interest Rate⁽¹⁾</u> <u>Per Year</u>
1. Interest rates on future general obligation "Offset" bonds (If assumed sold) ⁽²⁾	5.5% (5.5%)
2. Interest Rate for Water System Revenue Bond sale ⁽³⁾	6.0% (6.0%)
3. Project Interest Rate for determining Statements of Charges for 2000	4.615% (4.615%)
4. Interest rate on future short-term investment of project funds ⁽⁴⁾	6.5% (6.5%)

-
- 1) For the purposes of Department studies, these rates are to be used as the effective rates of interest. Figures in parentheses are Bulletin 132-98 assumptions.
 - 2) "Offset bonds are assumed to be repaid within 35 years of sale or shorter with maturities commencing in the year following the date of sale and with equal annual bond service for the principal repayment period.
 - 3) All future revenue bonds are assumed to be repaid within 35 years of sale date or by the end of the Project repayment period (2035), whichever is shorter, with maturities commencing in the first year after the date of bond sale and with equal annual bond service for the principal repayment period.
 - 4) Based on the expected rate of return for funds invested in the State's Surplus Money Investment Fund.

TABLE 2
BULLETIN 132-99
COST ESCALATION RATES
FOR SWP FACILITIES
TO BE USED FOR FINANCIAL ANALYSIS STUDIES

<u>Item</u>	<u>Percent Increase</u> <u>Per Year</u> ^(1, 2)			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002-2035</u>
<u>Capital Costs</u>				
State Operations (Salaries and Benefits)	5 (3)	5 (3)	5 (3)	5 (3)
Construction, Direct Pay	3 (3)	3 (3)	4 (3)	4 (3)
Relocation, Direct Pay	4 (4)	4 (4)	4 (4)	4 (4)
Land and Rights, Direct Pay	4 (4)	4 (4)	4 (4)	4 (4)
<u>Operations and Maintenance Cost</u> ⁽³⁾				
State Operations (Salaries and Benefits)	5 (3)	5 (3)	5 (3)	5 (3)

-
- 1) Statements of Charges for the year 2000 and Bulletin 132-99 will be based on unescalated January 1, 1999 capital costs.
 - 2) All figures in parentheses were Bulletin 132-98 assumptions.
 - 3) Operation and Maintenance costs in the Statements of Charges for the year 2000 and in Bulletin 132-99 are to be escalated through 2001 and held at that level for the remainder of the Project repayment period. For specific Project studies requiring escalated costs, continue the 5 percent rate for 2002-2035.